

Testimony of John E. Day

President, DuPage Housing Authority

and

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before the

House Financial Services Committee

Subcommittee on Housing and Community Opportunity

"The Section 8 Voucher Reform Act"

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Chairwoman Waters, Ranking Member Biggert and Members of the Committee, I would like to thank you for this opportunity to address you today. My name is John Day. I am the President of the DuPage Housing Authority (DHA) and also the Executive Director of the Kendall Housing Authority (KHA). Both of these are suburban Chicago countywide PHAs, which administer only a Housing Choice Voucher Program. Currently due to portability the DHA is administering about 2900 Vouchers while KHA is at 200. The authorized cap for the DHA is 2571 units and is 160 units for the KHA. Among various programs that we participate in are Family Self Sufficiency, Homeownership, development and preservation of affordable housing, and an employment program through a Business Incubator in our offices.

Overall, the proposed legislation has many positive items for a PHA and I support it's passage. There are three areas where I would like to comment further:

- Operations;
- The Funding Formula; and
- Portability.

OPERATIONS

- Inspection of Dwelling Units (Section 2)

Allowing rental assistance payments for up to 30 days on units that fail an initial Housing Quality Standard (HQS) inspection for non-life threatening reasons will allow a PHA greater flexibility in helping to minimize the disruption of Voucher holders' lives. Some end up having to rent two units while the repairs are being performed, and only one unit can be subsidized. In 2006, the DHA performed nearly 4,500 total inspections. 1,146 failed due to non-life threatening violations including 242 for new move-ins whose lives were disrupted. The reasonable 30-day period is also a tool that can be used to market the program to additional and different landlords.

The proposed change to allow biennial inspections will allow a PHA to better target its resources to the greater need. Since approximately 65% of initial annual inspections performed by the DHA passed HQS last year, this change would help reduce the administrative burden. The inspection staff knows who the good landlords are, and who needs extra involvement. There is also a check and balance mechanism in place with the HUD required "administrative inspections".

- Rent Reform and Income Reviews (Section 3)

The bill proposes that recertifications shall occur only if the increase or decrease is above \$1,500. This can have huge consequences from the administrative perspective of the DHA. In 2006, we performed over 2,000 interim recertifications, the vast

majority for decreases in income. The paperwork and adjustments involved with these changes are substantial.

About 42% (1,231) of the households the DHA subsidizes are on a fixed income, virtually all of them being elderly or disabled. With the proposed recertification for members of this group of not less than once every three years, there would be a significant reduction in the administrative responsibilities for a PHA. The Chicago Housing Authority, as a Moving To Work PHA, is permitted to do biennial recertifications. The Director of their Voucher program recently shared that although this has been helpful the annual submissions to HUD were taxing.

Complexity of the programs' rent and income calculations mean that small differences in calculations will occur. These de minimus differences cause PHAs to spend limited resources on redeterminations. With HUD understanding that these small differences in income and rent determination are normal and not a finding during a review will help the administrative effort of both HUD and the effected PHA.

- Eligibility for Assistance based on Assets and Income (Section 4)

Just about every other year, the DHA encounters a client who owns a residence. The prohibition of owning a home would help to clarify this issue and stop the potential for abuse. In one instance with which I was involved with a incoming portable Voucher holder owned a home which she claimed to be trying to sell. In reality, the house was priced above the local market, was not located in DuPage County, and the participant was renting the house to her children at a below market rate while receiving a rental subsidy from the DHA. The bill's requirement for "good faith effort," is helpful.

- Other Issues

Although it was not covered, the DHA has come across program participants who are overhoused. By that, I mean someone who is eligible for a one bedroom Voucher, but is able to rent a two-bedroom unit within the one-bedroom payment standards. This is overhousing with the subsidy providing more than is needed. The program offers no incentive for participants to save on housing costs.

Several of the topics discussed above would provide administrative relief to PHAs. There is concern by some in the industry that the result of this would be a reduction in the Administrative Fees paid to PHAs. A reduction in duplicative or wasteful administrative action will permit the DHA to assign administrative fees to tasks that really support families in locating and staying in good quality housing. Should these changes be enacted, the DHA could see resources shifted to other areas including portability and greater landlord outreach.

FUNDING FORMULA

- Voucher Renewal Funding (Section 6)

As a result of the passage of H.J. 20 in February, the DHA lost over \$950,000 in Housing Assistance Payment funds. This equates to a loss of over 100 Vouchers. Using the 12 months of 2006 as the basis for calculations, the DHA has unspent funds at the end of the year. The source for this was from approved project based units that did not come online as planned, billing and not absorbing ports from other PHAs, and an additional \$1 million dollars in HAP funds HUD awarded the DHA in April. Using caution, we did not use these funds for fear that if they were spent and then recaptured, the DHA would be at risk for that amount. In October, HUD took back \$800,000. As a result, year-end calculations showed that the DHA had been carrying \$1 million for 6 months and another \$200,000 for two months. The net result is unspent funds and 100 fewer Vouchers.

The DHA would like to be able to utilize its unspent balances. HUD has publicly said they would not try and recapture the funds, and Members of Congress have also stated that PHAs should be able to utilize these funds. However, spending these funds would put the DHA over its cap of 2,571 units. Can a PHA go above its limit or cap? It is the DHA's desire for the bill to remove the authorized unit cap on utilization of funds.

The proposed legislation would allow PHAs to do better fiscal planning. As it is now, the voucher utilization and cost numbers fluctuate each year. The bill calls for HUD to use the preceding calendar year. Has consideration been given to using a PHAs preceding fiscal year? It is difficult to get to the bill's target of 100% utilization of funds. With clients constantly going on and off the program, changing jobs, and incurring more deductions, the ability to keep up to 2% of reserves provides for flexibility and additional fiscal planning on the part of a PHA. A Housing Authority can also use funds by absorbing incoming portable vouchers from other PHAs. Last year, one of the Northeast Illinois PHAs did just that causing a cascade effect and forcing other PHAs to absorb to keep their numbers up.

PORTABILITY

DuPage County is a desirable place to live. Since 2003, Voucher holders from 28 states and Puerto Rico have moved here using their vouchers. Program participants from over 30 PHAs in Illinois have also chosen DuPage as their new home. For 2006, the DHA had 509 incoming portable voucher holders while 188 families moved from DuPage with Vouchers (98 of these are being billed and 90 of them have been absorbed by receiving PHAs). For both DuPage and Kendall, nearly one out of every 5 families on the HCV program is an incoming portable voucher from another PHA.

On Tuesday of this week, I attended a meeting of PHAs from the Northeast region of Illinois. This quarterly meeting, convened by HUD, promotes efforts at greater collaboration and encourages a dialogue among fifteen Housing Authorities. The main topic of discussion was voucher portability. The consensus was that while there has always been some portability, in the last 5 years that activity in this area has grown considerably. Two of the larger PHAs in the group (Chicago and Cook County) are now involved with a portability demonstration project in an attempt to create a more efficient process they hope can be a model for others.

While portability has brought great opportunity for families with Vouchers to improve their living situation, the DHA also has concerns I would like to pass along. The DHA uses a local preference for those living or working in DuPage County in selecting persons from our waiting list. Should someone receive a Voucher who does not have this local preference, they must live in the DHA service area for one year. After that, they are free to use their Voucher elsewhere. We have encountered persons who live in another locale (and have no local preference), get a Voucher from the DHA and rent a unit in the County. They keep a minimal amount of personal items there and claim residency, but they never really move in. During that year, they stay with friends from their old neighborhood, and at the end of the year they move back to their old neighborhood as soon as they can, becoming an outgoing portable voucher for DHA. The Office of the Inspector General of HUD has looked into this matter for us without success. Another concern is where someone may port. Several years ago the DHA had someone move to Hawaii with her Voucher. Aloha HCV.

There is a proposal that would require absorbing all incoming portable vouchers. The DHA has serious concerns with this. With the current authorized unit cap on utilization and funding available to DHA, we would not be able to house anyone from our waiting list, a great disservice to low-income residents of the county. While DuPage is considered affluent, it has a poverty rate of around 4% that equates to over 35,000 people eligible for rental subsidy from the DHA. If a PHA absorbs incoming portable vouchers and receives funding for those new voucher holders in their next years' allocation (that is, absorbed portable vouchers end up counted in the agency's last calendar year units), this problem with absorbing portable vouchers would be overcome. If not, residents of DuPage County, whom the DHA was created to serve, will be unable to access the HCV program.

CONCLUSION

In closing, I ask for the consideration of one additional item. When this legislation is approved, and I am optimistic about that, please leave the program alone for three years so PHAs can truly make it work. I am confident that you will be pleased with the results.

I would also like to extend my appreciation to Arthur Donner, Chairman of the DuPage Housing Authority Board of Commissioners, for joining me today. Thank you again for this opportunity and I would be glad to address any questions.